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INFO RUCNCIS/CIS COLLECTIVE
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RHMFISS/DEPT OF ENERGY WASHINGTON DC
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C O N F I D E N T I A L SECTION 01 OF 02 KYIV 001826

SENSITIVE
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DEPT FOR EUR, EUR/UMB, EEB/OMA

E.O. 12958: DECL: 10/19/2019
TAGS: [EFIN](#) [EREL](#) [ETRD](#) [PGOV](#) [PINR](#) [UP](#) [XH](#)
SUBJECT: BRAINS BEHIND TYMOSHENKO'S BANKING DECISIONS

REF: KYIV 1472

Classified By: Economic Counselor Edward Kaska for Reasons 1.4 (b) and (d)

¶1. (C) Summary. Despite his modest title at Ukraine's Ministry of Finance, Timur Bagirov has emerged as an intellectual force in the Tymoshenko government. By his own account, he serves as the Prime Minister's personal advisor on banking sector issues and is often asked to explain detailed financial matters in preparation for Tymoshenko's public statements. A relatively unknown former investment banker, Bagirov has been at the center of highly politicized decisions to recapitalize three domestic banks. He is the GOU's brains behind the impending liquidation of Ukrprombank, while serving as a key broker among competing interests surrounding troubled Nadra Bank. Bagirov notes that Tymoshenko is fully engaged in financial sector developments and focuses on even the "smallest details" of the Ministry's work. End summary.

KEY ADVISOR TO TYMOSHENKO

¶2. (C) As the director of the Ministry of Finance's recently established bank recapitalization unit, Bagirov has become, in his own words, Prime Minister Tymoshenko's personal advisor on financial sector matters. Bagirov told Econoff that Tymoshenko called him "multiple times" per week, often bringing him to her office for "hours" at a time. Bagirov said that the Prime Minister wanted to know "all the details" on key banking institutions and had taken a primary role in determining the fate of Ukrainian domestic banks. Bagirov characterized Tymoshenko's interest in the financial sector as a "mixed blessing," as she now focuses on even the "smallest details" of the Ministry's work.

¶3. (C) Timur Bagirov's recapitalization unit is in a position to determine the fate of Ukrainian financiers, many of whom are Rada (Ukraine's parliament) deputies that own "pocket" banking institutions to protect personal business interests. Bagirov reports to Deputy Minister of Finance Andriy Kravets, and together the two represent the Ministry at working-level meetings of the bank recapitalization committee, which formally Tymoshenko convenes as chair. On difficult cases that draw the attention of the Prime Minister, such as the resolution of Nadra and Ukrprombank, Bagirov admitted that negotiations of the recapitalization committee are "extremely sensitive" and "highly politicized." He has implied repeatedly that the committee often heeds his expert advice, most recently on a decision to liquidate Ukrprombank.

¶4. (C) Since Bagirov took on his position at the Ministry of

Finance in April 2009, just weeks after Deputy Minister Kravets himself returned to the Ministry, he has overseen the hiring of staff members to build his newly formed bank recapitalization unit. Bagirov recently said that over 70% of the 23 foreseen positions were filled, though it was difficult to find professionals for the remaining slots, "even among the many unemployed managers" in Kyiv. Bagirov has explained that his staff now assists in adjudicating the resolution of problem banks, as well as supervises installed management at recently nationalized Kyiv Bank and Ukr gasbank.

(Note: A third recapitalized bank, Rodovid, continues to operate under the leadership of temporary administrator Sergiy Scherbyna, reputedly a Bagirov ally. End note.)

A FUTURE IN BUSINESS OR POLITICS?

15. (C) Before joining the Ministry of Finance, Bagirov focused on corporate finance and investment banking as a partner at ARTA Investments, the firm he co-founded in 2002. According to U.K. citizen and U.S. resident Giles Farley (protect throughout), now working as Vice President at ARTA, Bagirov has apparently continued to visit his former business office since transferring corporate signing rights to ARTA partner Timur Khromaiev and joining the Finance Ministry. Farley described Bagirov as a "financial wizard but socially awkward, disinterested manager," who had personally overseen major business transactions in Ukraine's energy sector. Farley thought that Bagirov's desire to return to ARTA had increased of late, particularly given Khromaiev's prominent role with newly formed, Cyprus-based Squire Capital on Naftohaz's \$1.7 billion debt restructure (reftel). (Note:

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Farley has said that the U.S.-educated Khromaiev now desires to merge ARTA with Squire Capital and rebrand the business under the Squire moniker. It is unclear whether Bagirov agrees with this move. End note.)

16. (C) Farley could not confirm that Bagirov had ties to Naftohaz's recent debt restructure negotiations. Farley acknowledged rumors of Bagirov's conflict of interest with bank recapitalization decisions made at the Ministry, particularly those related to Ukr gasbank, but could not substantiate any particular fraudulent incident.

17. (C) In recent meetings with Econoff, Bagirov has grown notably nostalgic for his days in business. He has suggested that his term with the Ministry is a "project of patriotic duty" which could end after the presidential election in January 2010. Nonetheless, some market analysts have suggested that Bagirov is positioning himself to be named a senior economic advisor to Tymoshenko, either in the presidential secretariat (were she to be elected) or in the Cabinet.

18. (C) Bagirov has been considered a protege of Sergiy Tigipko, the commercial banker and former NBU governor currently running for President of Ukraine. But with Tigipko's slim chances of winning the presidential race, Bagirov appears to have decided it is more beneficial to remain close to Tymoshenko at this point. In 2001-2002, he was first deputy chairman of Tigipko's TAS-Invest Bank, in charge of overseeing capital markets and investments. Bagirov served until 2001 as an advisor to Viktor Yushchenko during his tenure as Prime Minister. From 2001-2006, Bagirov was a member of the supervisory board at Naftohaz.

19. (C) Bagirov graduated from the National University of Economics in 1995. He completed training courses at the University of Vienna and Merrill Lynch in New York.

COMMENT

110. (C) Despite a mid-level staff position at the Ministry,

Bagirov has had remarkable proximity to Tymoshenko. Likewise, meeting with delegations from the IMF and World Bank, he has impressed outsiders with his exceptional command of tricky policy questions, articulated in flawless English. As there are few in Ukraine who can combine such a rich Rolodex of local and foreign contacts, together with knowledge of the energy and banking fields, Bagirov's apparent reluctance to stay on board at the Ministry has raised questions among Kyiv insiders about his motivations. In any case, Bagirov appears to be a fixture in the country's financial sector and may play increasingly prominent public and/or private sector roles in the near future.

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